

## Message Text

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ORIGIN EB-07

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E.O. 11652: N/A

TAGS: EAIR, BL

SUBJECT: CIVAIR: BILATERAL NEGOTIATIONS

1. THE THIRD ROUND OF CONSULTATIONS UNDER THE US-BOLIVIA CIVAIR BILATERAL CONCLUDED MARCH 14 WITH THE SIGNING OF A MEMORANDUM OF CONSULTATION. END OF TALKS WAS OCCASIONED BY THE GOB DEL'S NEED TO CONSULT FURTHER WITH THE GOB ON THE SUBJECT OF THE CAPACITY IMPLEMENTATION PROCEDURES ("PRE-SCREENING") AGREEMENT PROPOSED BY THE US DEL ON MARCH13. GOB DEL CHAIRMAN CASANOVAS INFORMED US DEL THAT HE WOULD HAVE TO REFER THE DOCUMENT TO THE NATIONAL AERONAUTICS COUNCIL, AS ITS PROVISIONS APPEAR NOT FULLY CONSISTENT WITH BOLIVIAN LAW AND STANDARDS FOR GRANTING PERMITS TO INTERNATIONAL AIRLINES. US DEL RESPONDED THAT WE ANTICIPATE PROGRESS WITH REGARD TO BOLIVIA'S PROPOSED ROUTE EXPANSION, BUT NOTHING COULD BE DONE IN THAT REGARD UNTIL THERE IS AN INDICATION OF PROGRESS ON THE CAPACITY QUESTION.

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2. GOB DEL ALSO TABLED MARCH 14 DRAFT DOCUMENT ON US INDIRECT ASSISTANCE TO LAB WHICH READS:

QUOTE: WITH REFERENCE TO THE CAPACITY CLAUSES OF THE AIR TRANSPORT AGREEMENT OF SEPTEMBER 29, 1948, BOTH CONTRACTING PARTIES AGREE TO IMPLEMENT SAID CAPACITY PRINCIPLES IN THE FOLLOWING MANNER. UNTIL SUCH TIME AS

THE CARRIER OR CARRIERS DESIGNATED BY THE BOLIVIAN GOVERNMENT ARE IN A POSITION TO OPERATE UNDER EQUAL CONDITIONS, IN OBSERVANCE OF THE PRINCIPLE OF RECIPROCITY AND EQUALITY OF OPPORTUNITIES, THE GOVERNMENT OF THE UNITED STATES WILL GRANT A PROGRAM OF COOPERATION FOR THE IMPROVEMENT AND DEVELOPMENT OF CIVIL AVIATION IN BOLIVIA. THIS PROGRAM IS TO BE APPROVED AT THE SAME TIME AS THE AMENDMENTS TO THE AGREEMENT ARE APPROVED AND TO BE IMPLEMENTED IN THE FOLLOWING FIVE YEARS. END QUOTE.

3. US DEL STATED IT HAS SUBSTANTIAL DIFFICULTY WITH SUBSTANCE OF THE GOB DRAFT BECAUSE IT LINKS THE COOPERATION TO THE CAPACITY CLAUSES OF THE EXISTING AGREEMENT AND GOES MUCH FURTHER IN COMMITTING THE USG TO COOPERATIVE ACTIVITY THAN US DEL UNDERSTOOD DURING MARCH 13 PRESENTATION. CASANOVAS SAID THE DRAFT MERELY SOUGHT RECOGNITION OF USG ACCEPTANCE OF A COMMITMENT TO COOPERATE. SINCE GOB DEL NEED TO CONSULT WITH GOB ON US DEL CAPACITY AGREEMENT PROPOSAL REQUIRED RECESS OF CONSULTATIONS, US DEL AGREED TO ACCEPT THE GOB DEL DRAFT FOR CIRCULATION WITHIN THE USG. COBB EMPHASIZED THAT USDEL COULD IN NO WAY ACCEPT THE CONCEPTS IN THAT DRAFT NOR COMMIT THE USG IN THE MANNER ENVISAGED IN THE DRAFT.

4. MEMORANDUM OF CONSULTATION SIGNED BY BOTH DELEGATIONS AFTERNOON OF MARCH 14 REFERS TO: 1) THE AGREEMENT REACHED ON SPECIFIC AMENDMENTS TO THE ANNEX TO THE 1948 BILATERAL; 2) THE GOB ROUTE EXPANSION PROPOSAL AND FACT ITS RESOLUTION DEPENDS ON CAPACITY CLAUSE QUESTION; 3) US DRAFT OF CAPACITY INCREASE PROCEDURE AND GOB DEL NEED TO CONSULT FURTHER; 4) GOB DRAFT REGARDING INDIRECT COMPENSATION AND USDEL AGREEMENT TO CIRCULATE IT WITHIN LIMITED OFFICIAL USE

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THE USG FOR FURTHER DISCUSSION; AND 5) AGREEMENT OF BOTH PARTIES TO ATTEMPT TO INCREASE LAB ACCESS TO UNSCHEDULED AIR CARGO SERVICES. MEMORANDUM COMMITS BOTH PARTIES TO USE BEST EFFORTS IN RESOLVING PENDING MATTERS AND TO MAINTAIN COMMUNICATION THROUGH DIPLOMATIC CHANNELS. LOCATION OF NEXT ROUND OF TALKS LEFT OPEN.

5. REFERENCE TO EFFORTS TO INCREASE LAB PARTICIPATION

IN UNSCHEDULED CARGO SERVICE ARISES FROM STRONG GOB EMPHASIS ON NEED TO MEET ITS PERCEIVED AIR CARGO MARKET OPPORTUNITIES. LAB HAS ON ROUTE CARGO AUTHORITY AND MAY OBTAIN OFF ROUTE AUTHORITY TO FLY CARGO, EITHER ALONE OR IN COMBINATION WITH CERTAIN US CARRIERS, TO ANDFROM A VARIETY OF US CITIES. NONSCHEDULED OPERATIONS OF THIS NATURE DO NOT FALL WITHIN TERMS OF BILATERAL.

DURING MARCH 14 MEETING, CAB STAFF EXPRESSED WILLINGNESS TO WORK WITH GOB DEL ONTHIS POSSIBILITY. INFORMAL TALKS WITH CASANOVAS AND RIVERO ELIO TENTATIVELY SCHEDULED FOR WEEK OF MARCH 17.

6. COMMENT. GOB DEL PURSUED EXPANSION OF CARGO AUTHORITY MUCH MORE VIGOROUSLY THAN ROUTE EXPANSION TO NEW YORK. WHEN GOB DEL REALIZED THAT OFF ROUTE NON SCHEDULED CARGO AUTHORITY WOULD ENABLE LAB TO MAKE ALL CARGO FLIGHTS TO HOUSTON, DALLAS, CHICAGO AND LOS ANGELES UNDER CERTAIN CIRCUMSTANCES IT SEEMED GENUINELY PLEASED AND APPARENTLY CONCLUDED THAT ADDITION OF NEW YORK TO ITS ROUTE SCHEDULE WAS OF DISTINCTLY SECONDARY IMPORTANCE. THIS CONCLUSION APPEARS TO BE REALISTICALLY BASED, SINCE IT IS HIGHLY DOUBTFUL THAT LAB OPERATIONS TO NEW YORK WOULD BE ECONOMICALLY PROFITABLE WITHIN A NEAR TERM TIME FRAME USING 727 AIRCRAFT. GOB DEL FULLY UNDERSTANDS THAT NEW YORK IS AVAILABLE IF GOB IS WILLING ACCEPT CAPACITY PROCEDURES ARRANGEMENT ALONG LINES PROPOSED BY USG. THUS WHILE NO CHANGES IN ROUTE AUTHORITY RESULTED FROM NEGOTIATIONS, GOB DEL NOW UNDERSTANDS MEANS WHEREBY LAB'S CARGO OPERATIONS TO US CAN BE EXPANDED SIGNIFICANTLY. FOR THIS REASON CONSULTATIONS HAVE HAD POSITIVE RESULT FOR GOB. BY AGREEING TO CIRCULATE BOLIVIAN DRAFT ON "INDIRECT COMPENSATION", ALTHOUGH POINTING OUT THAT CONCEPT NOT LIMITED OFFICIAL USE

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WITHIN AIR TRANSPORT AGREEMENT, USG HOPES ISSUE IS SOMEWHAT DIFFUSED. IT MAY ARISE AGAIN BUT AT THE MOMENT IT DOES NOT APPEAR TO THREATEN BRANIFF'S OPERATIONS.

7. DEPARTMENT POUCHING COPY OF FINAL MEMORANDUM AND OTHER PERTINENTDOCUMENTS TO EMBASSY. US DEL CHAIRMAN COBB WILL TRANSMIT SPECIFIC GUIDANCE FOR USE IN DEALING WITH GOB ON THIS SUBJECT SINCE EMBASSY WILL BE INVOLVED IN SORTING OUT THE SPECIFIC RESULTS OF THE CONSULTATIONS. ROBINSON

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